

REDACTED FOR PUBLIC INSPECTION

March 7, 2012

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92*

Dear Ms. Dortch:

On March 5, 2012, Chris Nierman of General Communication, Inc. ("GCI"), and John Nakahata and Renee Wentzel of Wiltshire & Grannis LLP, on behalf of GCI, met with the following staff of the Wireline Competition Bureau:

- Sharon Gillett, Chief
- Trent Harkrader, Chief, Telecommunications Access Policy Division
- Amy Bender, Deputy Division Chief, Telecommunications Access Policy Division
- Randy Clarke, Attorney Advisor, Pricing Policy Division
- Ted Burmeister, Telecommunications Access Policy Division
- Joe Cavender, Telecommunications Access Policy Division
- Patrick Halley, Legal Advisor to the Bureau Chief
- Travis Litman, Acting Legal Advisor to the Bureau Chief
- Doug Slotten, Attorney Advisor, Pricing Policy Division

On March 6, 2012, Chris Nierman and Megan Delany of GCI, along with John Nakahata and Renee Wentzel, on behalf of GCI, met with Zachary Katz, Chief of Staff to Chairman Genachowski and Michael Steffen, Legal Advisor to Chairman Genachowski.

During each meeting, we discussed points raised in GCI's Petition for Reconsideration in the above-referenced dockets,¹ specifically GCI's three proposed changes necessary to effectuate the purpose underlying the Remote Alaska mechanism:

- (1) Set the Remote Alaska Cap based on September 30, 2011, lines times December 31, 2011, frozen per-line support (up to \$3000), rather than CY 2011 Competitive Eligible Telecommunications Carrier's ("CETC") support.
- (2) Set the phase down based on lines for the last complete month prior to commencement of the support phase down, rather than CY 2013 CETC support.
- (3) Include all CETCs, including those not certifying as serving covered locations, in the Remote Alaska mechanism, at least for the purpose of setting the Remote Alaska Cap.

With respect to 1 and 2 above, due to the lag between the time a CETC begins serving lines, report those lines, and receives support from USAC for those lines—a cumulative delay of nine months to one year—the rules as written would not preserve funding for newly initiated services, but instead would exclude an estimated \$4 to \$5 million of CETC high-cost support that was necessary for GCI to bring modern wireless service to many villages in Remote Alaska. Because of the same lag time problem, the rules as written also do not provide Remote Alaska CETCs with incentives to invest in new deployments throughout the entire two-year delay period; rather, the rules would base the level of CETC phase-down support in Remote Alaska on 2012 lines in service.

Finally, with respect to non-certifying CETCs, GCI proposed a modified rule change: for CETCs not certified as serving covered locations, the Commission should apply the phase down factor per 54.307(e)(2) as a final step, in order to maintain incentives for all CETCs to continue to maintain and win customers, while maintaining overall budget neutrality.

During each meeting, we also discussed GCI's support for NECA's Petition for Reconsideration with respect to the use, for NECA pool participants, of actual 2011 interstate revenue requirement, as summarized in more detail in GCI's ex parte notice filed March 6, 2012,² which is incorporated by reference herein. We also discussed that it would be appropriate to permit the use of actual intrastate access revenue requirement in states like Alaska that had reviewed revenue requirements since 2008, as also discussed in GCI's March 6, 2012 ex parte.

GCI distributed the attached presentation to attendees at each meeting.

* * *

¹ See General Communication, Inc. Petition for Reconsideration, WC Docket Nos. 10-90 et al. (filed Dec. 23, 2011).

² See Letter from John Nakahata, Counsel, General Communication, Inc., to Marlene Dortch, Secretary, Federal Communications Commission, WC Docket 10-90 et al. (filed Mar. 6, 2012).

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata". The signature is fluid and cursive, with the first name "John" being more prominent.

John T. Nakahata
Counsel to General Communication Inc.

cc: Zachary Katz
Michael Steffen
Sharon Gillett
Trent Harkrader
Amy Bender
Randy Clarke
Ted Burmeister
Joe Cavender
Patrick Halley
Travis Litman
Doug Slotten

Attachment

General Communication, Inc.

Remote Alaska Reconsiderations

March 5, 2012

CAF Order's Remote Alaska Interim CETC Support

- Purpose: “to preserve newly initiated services and facilitate additional investment in still unserved and underserved areas during the national transition to the Mobility Funds.” (CAF Order ¶ 529)
- For Remote Alaska, a two-year delay in the start of the CETC phase-down.
- Support continues to be distributed on a per-line basis, with support amounts frozen at December 31, 2011 (not to exceed \$3000/year/line) and subject to a reduction factor to stay within the Remote Alaska cap.
- Total Remote Alaska support is capped by the sum of the CY2011 CETC support received by CETCs serving covered locations (i.e., excluding AT&T Wireless).
- CETC support phase-down to start July 1, 2014, with individual total CETC support per ILEC study area frozen as of January 1, 2014, based on CY2013 support that each CETC receives for each ILEC study area served.

GCI's Reconsideration Petition Regarding Remote Alaska

- 1) Set the Remote Alaska Cap based on 9/30/2011 lines multiplied by 12/31/11 frozen per-line support (up to \$3000), rather than CY2011 CETC support.
- 2) Set the phase down based on lines for the last complete month prior to commencement of the support phase down, rather than CY2013 CETC support.
- 3) Include all CETCs, including those not certifying as serving covered locations, in the Remote Alaska mechanism, at least for the purpose of setting the Remote Alaska Cap.

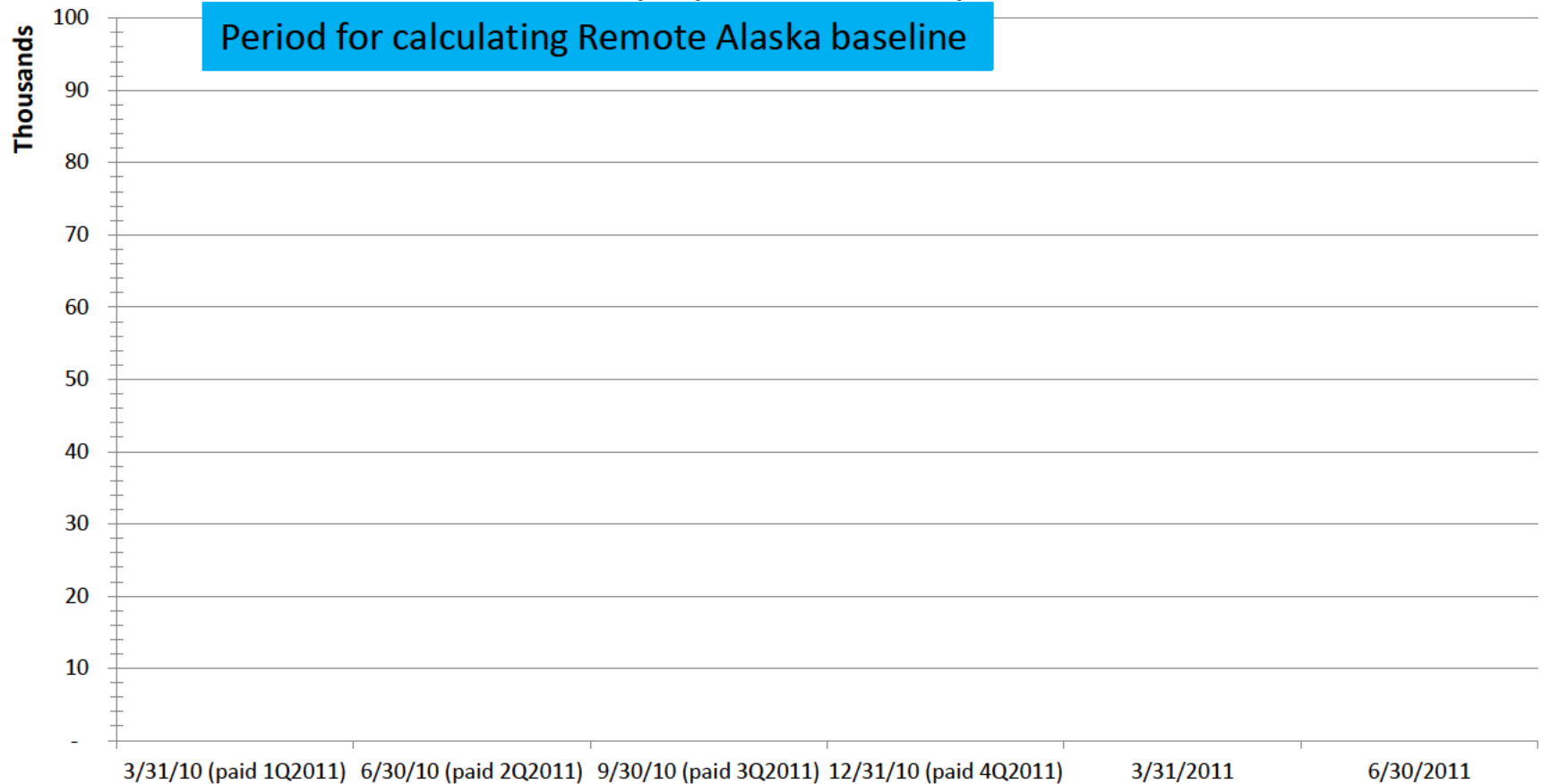
Action needed ASAP due to summer construction.

Issue #1 – Base for Remote Alaska Cap: Reporting Lags Undercut Purpose

- CY2011 CETC support (base for cap) is based on lines served in CY 2010.
- GCI added 37 villages in 2009 (still growing in 2010); 25 villages in 2010; 10 villages in 2011.
- Use of CY2011 support excludes much of the support for this extension of service, contrary to policy to preserve newly initiated service.
- GCI estimates ~\$4-5 million/year shortfall caused by reporting lags.
- Distinct from other lag issues because of specific purpose of Remote Alaska mechanism.

GCI Remote Alaska Lines

Support calculation underfunds 18 months of remote
wireless deployment and adoption



2009 GCI
Wireless
launches 37
villages

**REDACTED FOR PUBLIC INSPECTION- Confidential version of this slide filed
as an attachment to a GCI ex parte at the Commission on Dec. 12, 2011 .**

2010 GCI Wireless
launches 25 villages

4Q '10 GCI
ETC in 2 ILEC
study areas

2011 GCI Wireless launches
10 villages

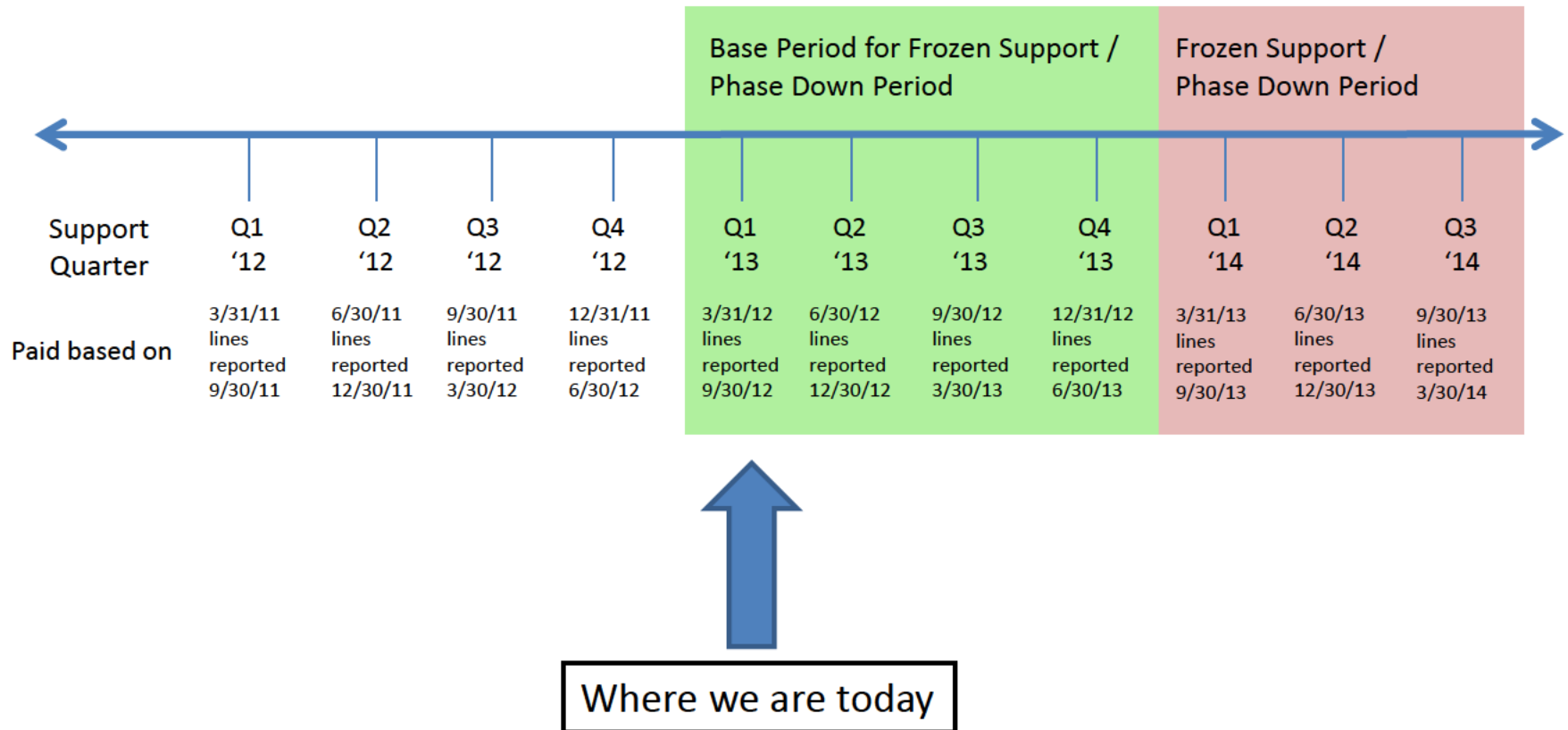
GCI Remote Village Wireless Launches 2009-2011

Community	Year	Community	Year	Community	Year
ALEKNAGIK	2009	NEW STUYAHOK	2009	MCGRATH	2010
AMBLER	2009	NEWHALEN	2009	NELSON LAGOON	2010
ANAKTUVUK PASS	2009	NOATAK	2009	NONDALTON	2010
ANIAK	2009	NOORVIK	2009	PEDRO BAY	2010
ATQASUK	2009	NUIQSUT	2009	PERRYVILLE	2010
BUCKLAND	2009	POINT HOPE	2009	PILOT POINT	2010
CHUATHBALUK	2009	POINT LAY	2009	PLATINUM	2010
CLARKS POINT / EKUK	2009	PORT LIONS	2009	PORT HEIDEN	2010
COLD BAY	2009	SELAWIK	2009	RUBY	2010
DEERING	2009	SHUNGNAC	2009	SAVOONGA	2010
EKWOK	2009	SOUTH NAKNEK	2009	ST. PAUL	2010
FORT YUKON	2009	TATITLEK	2009	TANANA	2010
GALENA	2009	WAINWRIGHT	2009	TOGIAK	2010
ILIAMNA	2009	CHENEGA BAY	2010	TWIN HILLS	2010
KAKTOVIK	2009	CHIGNIK	2010	CONE MOUNTAIN	2011
KIANA	2009	CHIGNIK LAGOON	2010	IGIUGIG	2011
KING SALMON	2009	CHIGNIK LAKE	2010	LARSON BAY	2011
KIVALINA	2009	EGEGIK	2010	MUKLUNG HILL	2011
KOBUK	2009	FALSE PASS	2010	NANWALEK	2011
KOLIGANEK	2009	GAMBELL	2010	OLD HARBOR	2011
LEVELOCK	2009	GOODNEWS BAY	2010	OUZINKIE	2011
MANOKOTAK	2009	KALSKAG	2010	PORT ALSWORTH	2011
MENTASTA	2009	KING COVE	2010	PORT GRAHAM	2011
NAKNEK	2009	KOKHANOK	2010	YAKUTAT	2011

Issue #2 – Base for Phase Down: Reporting Lags Undercut Purpose Redux

- 1/1/2014 support based on CY2013 CETC support received.
- CY2013 CETC support received based on CY2012 lines served.
- Incentives to “facilitate additional investment in still unserved and underserved areas during the national transition to the Mobility Funds” are already declining because new deployments will cover only part of 2012, so can only influence part of the CY2013 support.
- Initializing phase down based on annualized latest possible line counts x frozen support per line x Remote Alaska cap reduction factor cures this problem.

Support Timeline Per Current Rules



Issue #3 – Including All Remote Alaska CETC Support in Cap

Problem

- Support for CETC not certified as serving covered locations excluded from Remote Alaska Cap.
- Reduces Remote Alaska Cap by ~ \$19 M, muting incentives for new investment.
- Creates odd situation in which excluded CETC retains support even if it loses lines.

Solution

- Include all Remote Alaska CETC support in setting Remote Alaska Cap.
- Calculate support during delayed phase-down period for all Remote Alaska CETCs by lines x frozen 12/31/11 support per line for that CETC (\$3000 cap) x reduction factor.
- For CETC not certified as serving covered locations, apply phase down factor per 54.307(e)(2).